

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 PA-02 PRS-01 /108 W
-----042156Z 054514 /21

R 041517Z APR 77
FM AMEMBASSY BERN
TO SECSTATE WASHDC 4153
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS
USMISSION GENEVA
USDEL MTN GENEVA
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY ROME
AMCONSUL ZURICH

UNCLAS BERN 1412

PASS TREASURY AND FRB

EO 11652: NA
TAGS: EFIN SZ
SUBJ: SWISS FINANCIAL REPORT: WEEK MAR 27 - APR 2

1. SUMMARY: FOREIGN EXCHANGE MARKET WAS NERVOUS UNDER
INFLUENCE OF SHORT-TERM SQUEEZE ON SWISS FRANCS. GOLD
PRICE SLIPPED TO 148 IN PROFIT TAKING, SWISS NATIONAL BANK
HELPED BANKS MEET MONTH-END REQUIREMENTS WITH SUBSTANTIAL
SWAPS AND CREDITS, REFLECTED BY INCREASED MAR BALANCE
SHEET. MONEY MARKET CONDITIONS MAY BE UNSETTLED UNTIL
AFTER EASTER. COMBINED BALANCE SHEETS OF FIVE LARGEST
BANKS IN 1976 EXCEEDED SWISS GNP. RETAIL SALES WERE UP
5.6 PCT IN FEB. END SUMMARY.

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2. FOREIGN EXCHANGE AND GOLD: DOLLAR RATE AGAINST SWISS
FRANC SLIPPED TEMPORARILY TO SF 2.53 AT MID-WEEK DUE TO
SHORT-TERM SQUEEZE ON FRANCS AS BANKS WERE CONCERNED ABOUT
THEIR MONTH-END LIQUIDITY POSITIONS. OTHERWISE RATES WERE
GENERALLY STABLE, FLUCTUATING WITHIN NARROW RANGE
IN NERVOUS MAREKT. GOLD PRICE DIPPED TO 148 DUE TO PROFIT
TAKING MOVES. RATES FOLLOW:

3/28 (OPEN) 4/1 (CLOSE)

SPOT DOLLAR 2.5450 2.5435

FORWARD DISCOUNTS (PCT P.A.)

ONE MONTH	2.12	1.79
2 MONTHS	2.98	2.15
3 MONTHS	2.12	2.06
6 MONTHS	2.06	2.12
12 MONTHS	2.60	2.51
12 MONTHS	2.60	2.51
SF/DM	106.36	106.30
GOLD	150.25	148.25

3. CAPITAL AND MONEY MARKETS. SWISS NATIONAL BANK PROVIDED BANKS WITH SF 5 BIL IN CREDITS AND SWAPS TO MEET MONTH-END REQUIREMENTS WITHOUT DIFFICULTY. HOWEVER, BANKS ARE ALREADY CONCERNED ABOUT LIQUIDITY FOR APR 8 WHEN SOME SF 2.6 BIL IN 7-DAY DOLLAR SWAPS WILL BE DUE FOR REPAYMENT. SOME OBSERVERS BELIEVE THAT MARKETS WILL BE LESS NERVOUS AFTER EASTER. CALL MONEY RATE DROPPED TO ONE PCT FRIDAY. STOCK PRICES REMAINED FIRM; SKA INDEX (1959 EQUALS 100) WAS 226.3. CONFEDERATION BONDS SLIPPED TO 3.94, PERHAPS DUE TO SNB PURCHASE OF SF 377 MIL OF THESE BONDS. SWISS BANK CORP BOARD CHAIRMAN TOLD SHAREHOLDERS THAT SNB'S ANTI-INFLATIONARY MONETARY POLICY HAS DEPRESSED INTEREST RATES SO THAT INTEREST MARGINS ALSO HAVE BEEN REDUCED. VOEST-ALPINE AG, VIENNA, HAS ANNOUNCED IT WILL BORROW SF 80 MIL AT 5.5 PCT FOR 15 YEARS.

4. SNB BALANCE SHEET FOR MAR: BALANCE SHEET TOTAL ROSE UNCLASSIFIED

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SF 3 BIL FROM END FEB, REFLECTING MONTH-END SWAPS AND CREDITS TO BANKS. BESIDES 7-DAY SWAPS, SNB CONCLUDED SF 511 MIL TO ONE-MONTH DOLLAR SWAPS AND HOLDINGS OF DISCOUNTED PAPER ROSE SF 1.1 BIL FOR END-MAR. GIR CLEARING ACCOUNTS ROSE BY SF 3,743 MIL IN LAST WEEK OF MAR WHILE NOTES IN CIRCULATION INCREASED SF 499 MIL. GIR ACCOUNTS ROSE TO SLIGHTLY OVER SF 10 BIL LIMIT SET BY SNB.

(MAR 31 (CHANGE FROM FEB 28)
(MILLIONS OF SWISS FRANCS)

ASSETS

GOLD	11,904	-	-
FOREIGN EXCHANGE	15,732	UP	2,180
ROOSA BONDS	4,936	DOWN	110
DISCOUNTED PAPER	1,407	UP	862
LOMBARD LOANS	170	DOWN	274
OTHER	929	UP	368

LIABILITIES

NOTES IN CIRC 18,650 UP 11

GIRO ACCOUNTS 10,385 UP 3,414

STERILIZATION

ORDERS 498 DOWN 417

OTHER 5,535 DOWN 3,008

BALANCE SHEET TOT 25,078 UP 3,026

SKA - 226.3

5. BANKS: FIVE LARGEST BANKS (SWISS BANK CORP, UNION BANK OF SWITZERLAND, CREDIT SUISSE, VOLKS BANK, AND BANK LEN) SAW THEIR TOTAL BALANCE SHEET ASSETS RISE 28.3 PCT FROM 1975 TO 1976, INCREASE OF SF 35.6 BIL TO SF 161.4 BIL WHICH WAS SOME SF 16 BIL MORE THAN TOTAL SWISS GNP.

6. RETAIL SALES WERE UP 5.6 PCT IN REAL TERMS IN FEB. THIS IS THE LARGEST INCREASE SINCE OCT 1974. DAVIS UNCLASSIFIED

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, FINANCIAL STABILITY, ECONOMIC REPORTS
Control Number: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770117-0210
Format: TEL
From: BERN
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770492/aaaadcpz.tel
Line Count: 139
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Status: NATIVE
Subject: SWISS FINANCIAL REPORT: WEEK MAR 27 - APR 2
TAGS: EFIN, SZ
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/cb4501ab-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009